

US economy

Grim retail sales data fuels concerns about health of US economy

Consumer confidence drops to second-lowest level since pandemic as inflation lingers



The data provides the first official snapshot of the state of the retail market after federal statistics releases were halted during the record government shutdown © David Paul Morris/Bloomberg

Myles McCormick in Washington and **Gregory Meyer** in New York

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A series of grim official data released just ahead of Thanksgiving has deepened concerns about the health of the world's largest economy, intensifying the pressure on US President Donald Trump.

Signs of weakness in retail sales and consumer confidence released on Tuesday suggest Americans are pulling back on spending amid an affordability crisis that is causing ructions in Washington.

US retail sales rose by just 0.2 per cent in September to \$733.3bn, according to the US Census Bureau, missing Wall Street expectations and slowing sharply after months of acceleration.

The Conference Board's index of consumer confidence dropped to 88.7 in November from 95.5 the previous month. It was the second-lowest reading in five years, behind the level hit in April when [Trump](#) launched a global trade war.

“American consumers seem to be losing faith in the economy’s resilience, which could turn into a self-fulfilling prophecy that drags down growth,” said Eswar Prasad, an economist at Cornell University.

“Rising prices, coupled with concerns about employment prospects and housing affordability, are clearly taking a toll on the confidence of households and their willingness to spend freely.”

[Cost of living strains](#) have hit those on lower incomes across the country as housing, grocery and healthcare prices rise, widening the wealth gap as richer Americans benefit from a stock market boom.

Inflation data released on Tuesday pointed to more pain as US wholesale prices — a forerunner of consumer prices — rose more than expected to 2.7 per cent in the 12 months to September.

The president, whose polling numbers have slipped over his handling of the [economy](#), on Tuesday doubled down on claims that prices were falling despite data suggesting the contrary.

“This Thanksgiving, we’re also making incredible strides to make America affordable again,” Trump said at a turkey pardoning ceremony at the White House. “We are down to a level that we haven’t seen in a long time.”

The president’s claims have drawn criticism even from members of his own party.

US Representative Marjorie Taylor Greene, a former diehard supporter of the president, has lashed out at Trump for “gaslighting” voters over prices and said last week she would resign from Congress.

While consumer inflation sits at about 3 per cent, well below its 2022 peak of more than 9 per cent, the cumulative price build-up of the past five years has taken its toll on many Americans. It comes as wage growth for lower-income workers has slowed and the labour market has cooled sharply.

Tuesday's poor economic reports come on the back of signs of increasing weakness in the labour market. Unemployment hit a four-year high of 4.4 per cent in September, while hiring has been weak for much of the year.

Some economists have suggested Trump's tariffs on imports are beginning to show up in consumer prices.

"Underlying retail sales were much weaker in September than over the preceding few months," said Oliver Allen, senior US economist at Pantheon Macroeconomics. "The moribund labour market and ongoing drag on real incomes from tariff-induced price increases suggest that this slowdown is likely to be maintained."

Federal Reserve policymakers are weighing whether to implement a third interest rate cut this year when they meet in December. Their ability to judge the health of the economy has been complicated by last month's record government shutdown, which prevented the release of critical reports.

The Conference Board's survey, which concluded after the federal government shutdown ended, showed consumers' short-term outlook for income, business and labour market conditions deteriorated in November.

Dana Peterson, the board's chief economist, said expectations for the labour market in mid-2026 "remained decidedly negative" while "expectations for increased household incomes shrunk dramatically".

Tim Quinlan at Wells Fargo noted that the 88.7 reading was a "far cry" from a figure of 112.8 a year ago, as "labour market weakness and ongoing concern about prices" weighed on consumers.

“The fact that both the unemployment rate and consumer confidence are testing levels last seen in 2021 highlights the urgency of the recent deterioration in labour market conditions — or at least consumers’ impressions of those conditions.”

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